



Director of  
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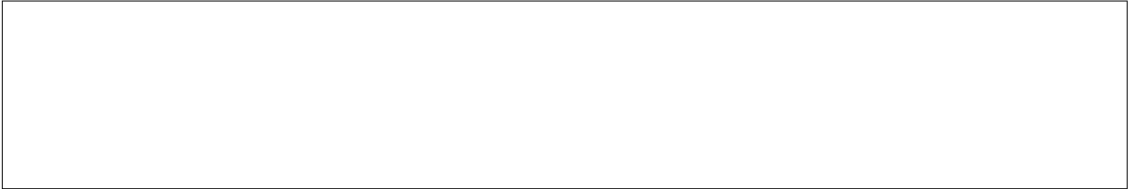
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ISRAEL-LEBANON: Israeli Reinforcements

(Information as of 2300 EDT)

*The cease-fire in Beirut continues to hold. Israeli forces are improving their positions in preparation for possible renewed fighting. Syrians yesterday conducted an orderly demonstration outside the US Embassy in Damascus.* [ ]

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Press reports yesterday stated Israel is reinforcing the Beirut area with additional armor, artillery, and troops. Israeli tanks and armored personnel carriers reportedly were moving to new positions on the southern and eastern outskirts of the city. [ ]

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[ ] large Israeli military convoys were sighted on Monday in southern Lebanon on the coastal road between Sidon and Az Zahrani. At least 15 commercial buses carrying approximately 600 troops also were heading north toward Beirut.

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PLO on US Recognition

PLO Chairman Arafat is making a renewed bid to gain US recognition. He called yesterday for direct talks with Ambassador Habib as one way of solving the Lebanese crisis. Hani Hassan, one of Arafat's key political advisers, said publicly in Beirut yesterday that Palestinian leaders are attempting to use the current negotiations to force the US to recognize the PLO. Hassan said the PLO would be more flexible if Ambassador Habib engaged in direct talks with the Palestinians. [ ]

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In Paris, another of Arafat's advisers told a group of French foreign affairs experts that the PLO was prepared to recognize Israel on a reciprocal basis. He said his remarks constituted an "official" PLO statement designed to meet US demands that the PLO recognize Israel's right to exist as a condition for gaining US recognition of the PLO. [ ]

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Anti-US Demonstration in Damascus

[REDACTED] the demonstration yesterday was well organized and orderly. The several thousand demonstrators were kept under full control by the Syrian security forces and dispersed without incident. Some press accounts had claimed the demonstrators attempted to "storm" the Embassy. [REDACTED]

[REDACTED]

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USSR: Grain Financing

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Comment: The head of the USSR's grain purchasing organization noted last week that purchasing activity is especially slack. Moscow's tight hard currency situation, coupled with the need to refinance grain loans coming due during July-September, may be contributing to the temporary lag in Soviet buying. The USSR's indebtedness is likely to increase, however, when Soviet grain buying activity picks up in the next few months.

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//The USSR's grain crop for 1982 is now estimated at about 175 million tons, some 60 million tons below plan. As a result, the Soviets probably will import a record 50 million tons--worth about \$6.5 billion--during the 1982-83 marketing year ending 30 June.

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INTERNATIONAL: Results of UN Session on Disarmament

*The General Assembly has ended the five-week session on disarmament in deadlock, adopting a report that records the lack of progress during the last four years and that promises to continue most issues in other multilateral forums.*

The session was a failure for most states because the participants were unable to agree either on a review of disarmament negotiations since the first special session in 1978 or on a comprehensive program of disarmament. The chairman's brief report, adopted by consensus, reaffirms the goals and priorities of the first special session but notes increased arms races, military budgets, and use of force.

The comprehensive program of disarmament, which delegates from many nonaligned nations had hoped would be the highlight of this session, has been referred back to the Committee on Disarmament. The report, which also calls for a third special session at an unspecified date, disappointed many nonaligned nations, some of whom disassociated themselves from it.

Comment: The session's shortcomings can be attributed primarily to the nonaligned's inability to organize behind specific goals and negotiating tactics. The initiation of the START and INF negotiations eliminated a major target of opportunity, while crises in Lebanon, the South Atlantic, and the Persian Gulf diverted media attention from the session.

The nonaligned also were surprised and confused by the East-West tensions at the session. While the West maintained unity on major questions, the Soviets made largely ineffective propaganda ploys, including their pledge of no-first-use of nuclear weapons.

Nonaligned pressure to discuss the specifics of a proposed comprehensive nuclear test ban will continue at the Committee on Disarmament, which reconvenes within a month. The Soviets may be able to exploit this issue to revive divisions within the West that were papered over during the session.

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IRAN-IRAQ: Military Situation

Iran announced last night that it had begun military operations to "liberate Iraq." The Iranians claimed to have "crossed the first bunkers of the enemy."

Comment: //Iranian preparations to invade Iraq have been essentially complete since late last week. With at least 250,000 Iranian and Iraqi troops confronting each other, the struggle near Al Basrah promises to be the largest land battle since the Korean War. Iran apparently intends to push to the Shatt al Arab opposite Al Basrah, inflicting a massive defeat on the at least seven reinforced Iraqi divisions defending the city. Tehran believes that a defeat of this magnitude will spark the overthrow of Iraqi President Saddah Hussein. If a coup in Baghdad does not occur, or the Iraqi Army is routed, Iran may push its attack across the Shatt.//

POLAND: Bleak Outlook for Consumers

Polish officials are predicting another decline in supplies of food and consumer goods during the rest of 1982. Fish, coffee, tea, and margarine will be in shorter supply, although the regime should be able to meet its ration obligations for meat, butter, flour, sugar, and liquor. Manufactured consumer goods that require imports of Western raw materials and spare parts will be increasingly hard to buy.

Comment: Consumers are already disgruntled by the hikes in prices of food and consumer goods, and they will be further disturbed by the increased shortages. Stocks of many foods, especially flour, bread, and potatoes, will depend on the success of the harvest as well as the regime's ability to persuade farmers to sell their crops to the state. Supplies of consumer goods are unlikely to increase soon because Poland's hard currency shortage prevents it from importing enough materials from the West.

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SOUTH KOREA - FRANCE: Friction Over North Korea

Seoul is increasingly concerned that the Mitterrand government may establish diplomatic relations with P'yongyang and has openly hinted at economic retaliation. French Foreign Minister Cheysson stated publicly last week that recognition of North Korea is a French "objective" but that Paris is in no hurry. [REDACTED]

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Comment: //French recognition, which would be the first by a major West European country, would enhance P'yongyang's prestige and might lead to recognition by other Western states. South Korea's ability to retaliate is limited. The cancellation of major contracts with the French, including those for the construction of two nuclear reactors, could hurt Seoul's commercial standing. At a minimum, however, the South Koreans are likely to convey their concern to Cheysson during his visit to Seoul next month.// [REDACTED]

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